

Message Text

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ORIGIN DOE-15

INFO OCT-01 AF-10 ARA-14 EUR-12 EA-12 NEA-10 ISO-00
SOE-02 OES-09 IO-14 ACDA-12 CIAE-00 INR-10 L-03
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DRAFTED BY USDOE:IA:DSHILLER
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USDOE:IA:HDBENGELSDORF
EUR/RPE: W SALISBURY
IO/SCT: A JILLSON
NEA/RA: H A ENGELBRECHT
EA/RA: P CLEVELAND
ARA/ECA: N BOUTON
EA/ROC: D BROWN
ACDA: N HOLLINGSWORTH
EUR/WE:EBEIGEL (INFO)
EUR/NE:WNEWLIN (INFO)
EUR/CE:NLAUDERDALE

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P 132212Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY VIENNA PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY BRASILIA PRIORITY
AMEMBASSY TAIPEI PRIORITY
AMEMBASSY CAIRO PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY BONN PRIORITY
AMEMBASSY ATHENS PRIORITY
AMEMBASSY NEW DELHI PRIORITY
AMEMBASSY TEHRAN PRIORITY
AMEMBASSY TEL AVIV PRIORITY
AMEMBASSY ROME PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY MEXICO PRIORITY
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AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY MANILA PRIORITY
AMEMBASSY LISBON PRIORITY
AMEMBASSY PRETORIA PRIORITY
AMEMBASSY SEOUL PRIORITY
AMEMBASSY MADRID PRIORITY
AMEMBASSY STOCKHOLM PRIORITY

AMEMBASSY BERN PRIORITY
AMEMBASSY BANGKOK PRIORITY
AMEMBASSY BELGRADE PRIORITY

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USEEC, ALSO FOR EMBASSY, USIAEA, ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: TECH, GW, ENRG

SUBJECT: URANIUM ENRICHMENT CONTRACTS

1. FOR YOUR INFORMATION, QUOTED BELOW IS A LETTER DOE
HAS SENT TO ALL ITS CUSTOMERS HIGHLIGHTING LIBERALIZING
CHANGES THAT WILL BE IN FINAL VERSION OF THE NEW ADJUSTABLE
FIXED COMMITMENT (AFC) CONTRACT. QUOTE,

U.S. DEPARTMENT OF ENERGY
PETER D. DAYTON, CHIEF
NEGOTIATED CONTRACTS BRANCH
P.O. BOX E
OAK RIDGE, TENNESSEE 37830
JULY 3, 1978
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THE DEPARTMENT OF ENERGY HAS COMPLETED ITS REVIEW OF THE
COMMENTS RECEIVED ON THE AFC CONTRACT AND CONVERSION
FROM THE LTFC CONTRACT TO THE AFC CONTRACT. IN RESPONSE
TO THESE COMMENTS, DOE HAS DETERMINED THAT A NUMBER OF
CHANGES WILL BE INCORPORATED INTO THE FINAL VERSION OF
THE AFC CONTRACT AND THAT CONVERSION CHARGES WILL BE
MODIFIED. THESE CHANGES ARE AS FOLLOWS:

A. PRICING PROVISION

A NEW CONTRACT PROVISION SETTING A SWU PRICING LIMIT
OF NOT GREATER THAN 130 PERCENT OF FULL COST RECOVERY
AND PROVIDING FOR TERMINATION WITHOUT CHARGE, WITHIN
A SPECIFIED TIME PERIOD, BUT EFFECTIVE AT ANY TIME,
BY THE CUSTOMER IF THAT PRICING LIMIT IS EVER EXCEEDED,
HAS BEEN ADDED.

B. REFERENCE TAILS ASSAY

A NEW CONTRACT PROVISION SETTING A CEILING ON THE

REFERENCE TRANSACTION TAILS NO HIGHER THAN 0.25 PERCENT U-235 AND PROVIDE FOR TERMINATION WITHOUT CHARGE, WITHIN A SPECIFIED TIME PERIOD, BUT EFFECTIVE AT ANY TIME, BY THE CUSTOMER IF THAT CEILING IS EVER EXCEEDED, HAS BEEN ADDED.

C. VARIABLE TAILS ASSAY OPTION

THE VARIABLE TAILS ASSAY OPTION (VTAO) IN THE NEW CONTRACT WILL SPECIFY A MINIMUM RANGE OF 0.2 WEIGHT PERCENT TO 0.3 WEIGHT PERCENT U-235, A MINIMUM CUSTOMER NOTICE TIME OF FIFTEEN (15) MONTHS AND VTAO TO BE AVAILABLE BEGINNING WITH DELIVERIES IN FISCAL YEAR 1981. OTHER TERMS WILL BE PUBLISHED IN THE UNCLASSIFIED

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FEDERAL REGISTER.

D. CHARGES FOR DELAY OF INITIAL DELIVERY PERIOD

CHARGES FOR DELAYING FIRM-UP OF THE INITIAL DELIVERY PERIOD (IDP) ARE SPECIFIED IN THE CONTRACT AS A CHARGE EQUAL TO AN INCREASING PERCENTAGE OF THE INITIAL 600 DOLS/MWE ADVANCE PAYMENT (20 PERCENT TO 100 PERCENT BASED ON NUMBER OF YEARS IDP IS DELAYED). THIS SCHEDULE ADJUSTMENT CHARGE IS DUE AT THE TIME DELAY IS ELECTED.

E. CHARGES FOR DEFERRAL OF DELIVERIES

CHARGES FOR DEFERRING FIRMED-UP SWU ARE SPECIFIED IN THE NEW CONTRACT AS EQUAL TO THE DIFFERENCE IN THE PRESENT VALUE OF THE DISCOUNTED CASH FLOWS TO THE GOVERNMENT BETWEEN THE CONTRACT SCHEDULE AND THE DEFERRED SCHEDULE. THE DEFERRAL CHARGE IS BASED ON THE DISCOUNT RATE AND SWU PRICE IN EFFECT, OR ANNOUNCED TO BE IN EFFECT, AT THE TIME NOTICE OF DEFERRAL IS RECEIVED BY DOE. DEFERRAL CHARGES ARE

GUARANTEED NOT TO EXCEED THE COST TO TERMINATE THE CONTRACT IN WHOLE. DEFERRAL CHARGES ARE DUE AT THE TIME THE DEFERRAL IS ELECTED BY THE CUSTOMER.

F. ADVANCE PAYMENTS

THE ADVANCE PAYMENT ALTERNATIVE PERTAINING TO 3,300 DOLS. PER MWE DIVIDED INTO THREE EQUAL ANNUAL INSTALLMENTS IS DELETED.

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G. CONVERSION TO AFC

CONVERTING CUSTOMERS WITHOUT A CONSTRUCTION PERMIT (CP) WILL HAVE A ONE-TIME OPTION TO SLIP EXISTING SWU DELIVERY SCHEDULES BY PAYING AN INCREASING PERCENTAGE OF AN AMOUNT EQUIVALENT TO THE LTFC CONTRACT ADVANCE PAYMENT OF 3,300 DOLS. PER MWE (20 PERCENT TO 100PERCENT BASED ON THE NUMBER OF YEARS DELIVERIES ARE SLIPPED). CONVERTING CUSTOMERS WITH A CP DESIRING TO MAKE SCHEDULE ADJUSTMENTS WOULD PAY A DEFERRAL CHARGE AS IN ITEM E ABOVE, BUT ONLY ON THE FIRST POST FY-1979 SCHEDULED DELIVERY. NO DEFERRALS WILL BE ALLOWED FOR FY-78 OR FY-79 DELIVERIES. DEFERRAL CHARGE WOULD NOT EXCEED THE COST TO TERMINATE THE CONTRACT IN WHOLE. LTFC CONTRACT CUSTOMERS WHICH GAVE, NO LATER THAN JULY 1, 1978, A NON-BINDING NOTICE OF INTENT TO CONVERT ARE ELIGIBLE FOR SLIPPAGES WITH THE SCHEDULE ADJUSTMENT CHARGES DESCRIBED ABOVE. CUSTOMERS CONVERTING TO THE AFC CONTRACT, BUT WHICH DID NOT GIVE A JULY 1, 1978, NON-BINDING NOTICE, WILL PAY FOR SCHEDULE ADJUSTMENTS AS SET FORTH IN THE AFC CONTRACT.

H. FRACTIONAL CONTRACTING

FRACTIONAL CONTRACTING FOR A DESIGNATED FACILITY (ANY SPECIFIED PERCENTAGE) WILL BE ALLOWED. WHEN CONVERTING A CURRENT LTFC CONTRACT TO AN AFC CONTRACT, THE FRACTION MAY NOT BE REDUCED BUT MAY BE INCREASED. NEW CONTRACTS MAY BE WRITTEN FOR ANY FRACTION OF A FACILITY'S REQUIREMENTS.

I. PERIOD FOR PAYMENT OF INVOICE

THIRTY (30) DAYS WILL BE ALLOWED FOR PAYMENT OF INVOICES.

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J. NOTICE FOR CHANGE IN FEED SPECIFICATIONS

THE NOTICE TIME FOR CHANGING FEED SPECIFICATIONS IS INCREASED TO 540 DAYS.

K. ADVANCE FEED NOTICE FOR DEFERRED SWU DELIVERIES

DOE WILL NOTIFY CUSTOMERS, WITHIN THREE (3) MONTHS AFTER RECEIPT OF A DEFERRAL NOTICE, REGARDING FEED DELIVERIES ON ALL DEFERRED SWU, INSTEAD OF " . . . AT LEAST ONE YEAR IN ADVANCE OF THE BEGINNING OF THE FISCAL YEAR IN WHICH THE DELIVERY OF SUCH FEED MATERIAL IS TO BE MADE . . . " THE CONTRACT WILL BE REWORDED ACCORDINGLY.

WE WILL SEND YOU A FINAL AFC CONTRACT FORM, INCORPORATING THE ABOVE CHANGES, IN THE NEAR FUTURE.
DPM:WE. UNQUOTE.

2. FINAL AFC CONTRACT FORM EXPECTED TO BE AVAILABLE WEEK OF JULY 10, AND A COPY WILL BE AIRPOUCHED TO YOU FOR YOUR INFORMATION.

3. EMBASSIES SHOULD CALL THE FOREGOING LETTER TO THE ATTENTION OF THE INTERESTED ATOMIC ENERGY AUTHORITIES IN THEIR HOST GOVERNMENTS. AS YOU ARE AWARE, THE USG HAS ANNOUNCED THAT IT IS PREPARED THROUGH DOE TO REOPEN ITS ORDER BOOKS FOR THE PROVISION OF ENRICHMENT SERVICES. DOE ALSO IS PREPARED TO EMPLOY THE NEW MORE LIBERALIZED AFC CONTRACT FOR NEW CUSTOMERS AND AS A VEHICLE FOR PERMITTING EXISTING CONTRACT HOLDERS TO MAKE SCHEDULE ADJUSTMENTS.
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4. DOE WIDELY SOLICITED COMMENTS ON THE CONTRACT FROM FOREIGN AND DOMESTIC USERS AND, IN ITS VIEW, THE ACCOMMODATIONS OUTLINED ABOVE ARE RESPONSIVE TO THE PRINCIPAL COMMENTS RECEIVED. THE ADOPTION OF THE NEW MORE LIBERALIZED AFC CONTRACT UNDERSCORES THE CONTINUED INTEREST OF THE USG TO REMAIN AN ATTRACTIVE SUPPLIER OF ENRICHMENT SERVICES TO COOPERATING STATES AND EMBASSIES SHOULD HIGHLIGHT THIS FACT, AS APPROPRIATE, IN THEIR CONVERSATIONS WITH HOST GOVERNMENTS. CHRISTOPHER

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Status: NATIVE
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